

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-06
SP-02 SS-15 STR-04 TRSE-00 ACDA-07 NSCE-00 SSO-00
USIE-00 INRE-00 /092 W
-----122325Z 044731 /73

O R 122244Z APR 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC IMMEDIATE 3882
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2342

E.O. 11652: GDS
TAGS: EINV, ENRG, PFOR, EC
SUBJECT: GULF-GOE NEGOTIATIONS

REF: QUITO 2221

1. BEGIN SUMMARY: AMBASSADOR MET WITH GENERAL DURAN APRIL 11 TO INSIST ON IMMEDIATE SIGNING OF THE GULF-GOE AGREEMENT (CONVENIO). DURAN SAID HE WOULD ORDER MINISTER SEMBLANTES TO SIGN THIS WEEK. BUT GOE SUBSECRETARIES BROUGHT UP NEW CONDITIONS FOR RESOLUTION OF DECREE 285 DISPUTE IN MEETING WITH GULF ALSO HELD APRIL 11. HOWEVER, MINFINANCES SEVILLA BELIEVES THESE ARE LAST-DITCH EFFORTS BY SEMBLANTES TO WRING AS MUCH AS POSSIBLE OUT OF GULF BEFORE SIGNING AT THE END OF THIS WEEK. END SUMMARY.

2. AMBASSADOR MET WITH GENERAL DURAN APRIL 11 AND MADE ESSENTIALLY THE POINTS MADE TO POVEDA REPORTED IN REFTEL. (AMBASSADOR DID NOT, HOWEVER, ALLUDE TO SEMBLANTES' APPROACH TO GULF.) DURAN AGREED THAT SETTLEMENT OF MARC RICH'S PAYMENTS TO CEPE FOR THE "RUTH" CARGO HAD NOTHING TO DO WITH THE SIGNING OF THE CONVENIO, AND TOLD THE
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AMBASSADOR THAT SEMBLANTES WAS UNDULY INFLUENCED BY HIS ADVISORS AND NOT PRONE TO TAKE AN INDEPENDENT DECISION. DURAN SAID HE WOULD IMMEDIATELY ORDER SEMBLANTES TO SIGN THE AGREEMENT THIS WEEK.

3. MEANWHILE, ALSO ON APRIL 11, LOCAL GULF MANAGER JACK O'BRIEN WAS CALLED IN BY SEMBLANTES TO A MEETING WITH

NATURAL RESOURCES SUBSECRETARY PARODI AND FINANCE SUB-SECRETARY BARBA (SEMBLANTES HIMSELF DID NOT PARTICIPATE IN THIS MEETING). PARODI AND BARBA BROUGHT UP STOCK POSITIONS AT THE TIME OF THE LOADING OF THE "RUTH," BUT DROPPED THE SUBJECT WHEN GULF REFUSED TO DISCUSS IT.

4. PARODI THEN RAISED A NEW GOE CONDITION FOR SETTLEMENT OF DECREE 285 AND THE SIGNING OF THE CONVENIO. THE "ACTA" FOR SETTLEMENT OF DECREE 285 PROVIDES THAT GULF WILL TRANSFER SOME 846,000 BARRELS TO CEPE AT U.S. 82.6 CENTS A BARREL; CEPE HAS ALREADY LIFTED MOST OF THIS CRUDE BUT EXACTLY HOW MUCH WILL BE DETERMINED BY THE AUDITOR'S ANALYSIS OF THE STOCK POSITION AS OF DECEMBER 31. PARODI ASSERTED THAT THE BALANCE CURRENTLY OWED BY GULF TO CEPE IS APPROXIMATELY 46,000 BARRELS, AND DECLARED THAT THIS BALANCE MUST BE PAID BEFORE THE CONVENIO IS SIGNED; IF GULF IS NOT PREPARED TO BRING THAT AMOUNT INTO ECUADOR IN ORDER TO DO THIS, HE ADDED, CEPE WILL ACCEPT INSTEAD OF PAYMENT IN KIND AN EQUIVALENT PAYMENT IN CASH--AT THE CURRENT CEPE EXPORT PRICE OF U.S.\$13 PER BARREL. O'BRIEN RETORTED THAT THE BALANCE OWED BY GULF TO CEPE, IN KIND (I.E., BARRELS), IS YET TO BE DETERMINED BY THE AUDITOR'S ANALYSIS; THAT THE PAYMENT OF THIS BALANCE HAS NEVER BEEN CONSIDERED A PREREQUISITE FOR SIGNING OF THE CONVENIO; AND THAT IF GULF CHOSE TO MAKE PAYMENT IN CASH INSTEAD OF IN KIND, THE CASH SHOULD CERTAINLY NOT BE COMPUTED AT THE U.S. RETAIL PRICE OF \$13 PER BARREL BUT RATHER AT THE APPROPRIATELY DISCOUNTED PRICE WHICH WOULD BE ABOUT U.S. CONFIDENTIAL

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\$2 PER BARREL.

5. AMBASSADOR SPOKE TO FINANCE MINISTER SEVILLA AND SAID THAT HE WAS PUZZLED BY APPARENT CONTRADICTION BETWEEN WHAT DURAN HAD PROMISED AND CONTINUING OBSTRUCTIONISM OF LOWER-LEVEL GOE OFFICIALS. SEVILLA SAID THAT DURAN HAD BEEN EMPHATIC TO THE MINISTERS THAT THE AGREEMENT MUST BE CONCLUDED THIS WEEK. HE THOUGHT SEMBLANTES' PEOPLE WERE SIMPLY TRYING TO WRING AS MUCH AS POSSIBLE OUT OF GULF BEFORE FACING THE INEVITABLE AND SIGNING THE AGREEMENT. HE SAID THAT IN TODAY'S CABINET MEETING DURAN HAD EXPRESSED DISPLEASURE AT THE LACK OF PROGRESS AND HAD ORDERED MATTERS CONCLUDED BY THURSDAY. SEVILLA SAID DURAN ORDERED THE GOE NEGOTIATORS TO MEET WITH GULF AGAIN TODAY, INSTEAD OF WEDNESDAY AS THEY HAD INTENDED.

6. WE WILL CHECK THE SITUATION AGAIN TOMORROW AND IF THERE IS NO FURTHER PROGRESS THE AMBASSADOR WILL SEEK ANOTHER MEETING WITH DURAN.

BLOOMFIELD

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Message Attributes

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Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
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Disposition Date: 22 May 2009
Disposition Event:
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